



Where does the stock market go from here?

Jeff Knight, Global Head of Investment Solutions



Your success. Our priority.

Performance of equity markets has been extraordinary, from a long-term perspective.

This truly has been a remarkable period of time for equity investors. We've studied history for, for example, the U.S. stock market measured by the S&P 500, and we looked at period of time between 20 percent corrections. And what we've found is that those periods of time typically last about three years, and the market tends to roughly double in between 20 percent corrections.

The current bull market has exceeded that both in duration and in magnitude. From a duration perspective, we're about eight years on in this bull market, and from a magnitude perspective, from the very lows, at the bottom of the financial crisis, the S&P 500 has nearly quadrupled. So in terms of that chronological metric alone, I think it's worth understanding how far along we are, how unusual this is in the historical context, and to think about strategies for diversification and portfolio stability, as opposed to just trying to hop on the equity bandwagon this far along in a bull market.

First half of the year, we've kept repeating to ourselves, "Don't overthink it, don't overthink it." And the markets have been pricing in an inflection point to worldwide economic growth, and worldwide economic inflation. And if you have that acceleration in nominal activity, it tends to be really good for stocks, it tends to be not so good for bonds.

That's what we've been expecting to see for the first half of the year, and that's what we've very much seen for the first half of the year. That said, as we look forward, I think we're reaching a bit of an inflection point, where a lot of that performance has been based on an expectation of a change in economic policy, and expectation of a change in tax policy, none of which we've seen actually occur just yet. And so the next half-year will be decided by whether we actually see these things delivered, ratifying current market prices, or whether they happen more slowly or in a more watered-down fashion than we've seen so far, in which case I think the second half of the year could under-perform somewhat the first half of the year, in terms of return.

The views expressed are as of May 2017, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.

A 20% stock market correction is when an index falls by 20% or more.

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. It is not possible to invest directly in an index.

Investment products are not federally or FDIC-insured, deposits or obligations of or guaranteed by any financial institution and involve risks, including possible loss of principal and fluctuation in value.

Securities products offered through Columbia Management Investment Distributors, Inc., member FINRA. Advisory services provided by Columbia Management Investment Advisers, LLC.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.

©2017 Columbia Management Investment Advisers, LLC. All rights reserved.

1820778